

15 December 1954

MEMORANDUM FOR RECORD

Subject: Notes on OCI Evaluation of De Courcy's Article

Following are random observations on this subject:

1. The most significance points in this article relating to the interests of D/E are believed to be found in the following sentences -

- a. "The memorandum stated that the conference would work out means to put trade more directly in the service of Soviet foreign policy."
- b. "What part should trade play in Soviet policy, and how could it be used for furtherance of the political aims of the Communist bloc?"
- c. "The final memorandum of the conference also went on to point out that it was in the interests of the Soviet bloc to organize the exchange of their consumer goods against capital goods from the West".
- d. "...a certain amount of capital goods should be exported by the Communist countries."
- e. "It was decided that Chinese raw materials should be exported to Japan, because this was the best way in which to influence Japanese politics."
- f. "The strongest possible emphasis was placed on the concept that trade with the western democracies was a weapon in the political fight, rather than a means to obtain scarce goods or commodities except in certain cases of materials not produced within the Soviet bloc."

2. It is suggested that the following points be made in the CIA evaluation:

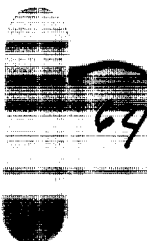
a. As to general evaluation - Although errors of fact detract from the value of the De Courcy article, it calls attention to a significant facet of Soviet foreign policy, namely, the use of trade as a political weapon.

b. Errors of fact - those pointed out by [REDACTED] are undoubtedly valid and we have no information which would refute them. There are, in my opinion, the following additional errors of fact: (1) the statement to the effect that the Soviets should export consumer goods against capital goods imports from the West is not valid since under the "New Course" it is Soviet policy to import capital and consumer goods.

c. Trade as a Political Weapon - in this section, [REDACTED] by implication minimizes the truth of this fact. By stating that "the article is not believed to be a reliable statement of the contents of any actual Bloc

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East-West trade policy memorandum", he implies that such a policy of using trade as a political weapon against the West (as well as for obtaining needed goods) is not followed by Soviet planners.

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Although it is acknowledged that Soviet trade with the West is primarily motivated by the need to obtain goods (capital and consumer) for a build-up of both the civilian and military economies, it is felt that there should be in the evaluation due recognition of trade as an economic weapon, used offensively against the West. By a negative approach, [REDACTED] leaves the impression that trade in Soviet plans is almost exclusively for the purpose of remedying deficiencies in the Soviet internal position.

A volume of recent publications would seem to support the thesis that trade is used by the Soviets to satisfy two primary objectives: to supply internal deficiencies and to create division within the Western world in the economic field. Following are a few of the widely recognized Soviet goals in this field -

- a. To spread the illusion that Western businessmen can expect a huge new market in the Soviet bloc if only Western controls are dropped;
- b. Cleverly directed Soviet exports to specific Western countries, particularly small ones facing chronic surplus situations in production of indigenous crops or other commodities. The case of Danish butter, Australian wool, Icelandic fish are but a few.
- c. To work toward their goal of world domination by economic means rather than being forced into military action. "Some observers believe that top Communist planners now hope that, with a strong industrial China in the Red orbit, they can outstrip the West industrially and, in a generation or so, bring about their goal of a Communist world by economic pressure."
Source: "The Future of Red China" - World Magazine, May 1954
- d. To divide the West, "Russia treats countries differently, depending on how anxious they are to trade and what internal effects Russian trade may have. The where, how and when of Communist buying in the West has a strong political element. It makes Soviet Europe an uncertain market, turned on and off at the Kremlin's whim."
US News and World Report, May 14, 1954

e. "Ken A. Hunter, research specialist and former newspaperman and military intelligence officer, told the Senate Internal Security sub-committee Russia has chosen 'economic strangulation' of the U.S. rather than atomic war. He said the final phase of the Red's economic campaign is capture of Africa and South America, storehouses of raw material for the free world."

Source: The Washington Daily News, May 1954

- f. To spread dissatisfaction in Western labor forces through Soviet inspired propaganda which states that prosperity of the worker depends

on trade of a particular Western country with the Soviet bloc.

g. To convince the free world that trade relations are a means of securing peaceful political relations and to divert attention of the free world from the hostile nature of Soviet international conduct.

h. To create and intensify free-world rivalries for markets and sources of supply in order to improve the Soviet bargaining position.

25X1A6a 3. Recognition of the use of trade as a weapon by the Soviets is found in the US Statement on Soviet Trade Trends and Tactics submitted to the CG on April 14. In support of [redacted] proposal for study on this problem, the US said in part that "there is indeed prospect for some immediate increase in trade, coupled with the prospect of the additional use of trade as an instrument of over-all Soviet strategy via-a-via the free world countries."

4. Additional relevant information on this general subject is available, but I do not wish to delay your preparation of comments.

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